

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-05 H-01  
L-03 NSC-05 PA-01 SS-15 /093 W  
-----114926 260431Z /15

R 251542Z MAY 78  
FM AMEMBASSY REYKJAVIK  
TO SECSTATE WASHDC 8431  
INFO COMICEDEFOR KEFLAVIK IC  
AMEMBASSY COPENHAGEN  
AMEMBASSY STOCKHOLM  
AMEMBASSY OSLO

LIMITED OFFICIAL USE REYKJAVIK 0702

E.O. 11652: N/A  
TAGS: ELAB, PINT, IC  
SUBJECT: GOVERNMENT MODIFIES ECONOMIC MEASURES

REF: A. REYKJAVIK 0251; B. REYKJAVIK 0652

BEGIN UNCLASSIFIED.

1. GOI APPROVED PROVISIONAL LAW MAY 24 WHICH EASES  
EFFECT OF ANTI-INFLATION MEASURES (REF A) ON LOWEST PAID  
WORKERS. UNDER TERMS OF MEASURES PASSED BY ALTHING IN FEBRU-  
ARY, WORKERS WOULD RECEIVE ONLY HALF OF COST-OF-LIVING WAGE  
INCREASES; NEW LAW (AGREED BY CABINET IN ABSENCE OF ALTHING  
WHICH HAS BEEN DISSOLVED) WILL PROVIDE FULL COST-OF-LIVING  
INCREASES TO LOWEST PAID WHILE KEEPING RESTRICTIONS ON  
THOSE AT MIDDLE TO HIGH WAGE LEVELS.

2. UNDER TERMS OF LAW, APPLICABLE ON JUNE 1, SEPTEMBER 1  
AND DECEMBER 1, THOSE EARNING BELOW MINIMUM BASE LEVEL  
(115,000 KRONUR IN DECEMBER 1977) WILL GET FULL COL INCREASE,  
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AND THOSE ABOVE BASE WILL RECEIVE EITHER FULL COL  
INCREASE APPLIED TO BASE LEVEL OR HALF OF COL APPLIED TO  
ACTUAL WAGE, WHICHEVER IS HIGHER. REGARDING INCREASES  
JUNE 1, THIS MEANS THAT THOSE EARNING UNDER 122,000  
KRONUR (\$470) PER MONTH (THIS IS, 115,000 KRONUR PLUS  
MARCH 1 INCREASE) WILL RECEIVE FULL 12.8 PERCENT COL  
INCREASE. WORKERS EARNING 122,000 - 244,000 KRONUR

WILL RECEIVE FLAT INCREASE OF 15,616 KRONUR (\$60)  
MONTHLY INCREASE, AND THOSE EARNING IN EXCESS OF  
244,000 KRONUR WILL RECEIVE COL INCREASE OF OYMR PER  
CENT. INCREASES DO NOT APPLY TO PREMIUM PAY (I.E.  
OVERTIME, NIGHT WORK, ETC). NEW LAW DOES NOT AFFECT FIXED  
WAGE INCREASE OF 6,250 KRONUR (\$24) WHICH TAKES EFFECT JUNE 1.  
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3. WHILE FEBRUARY ANTI-INFLATION LAW DID IN FACT HIT  
LOWEST PAID WORKERS HARDEST, TIMING OF THIS PROVISION-  
AL LAW ONLY TWO DAYS BEFORE MUNICIPAL ELECTIONS IS  
CLEARLY POLITICAL. REACTION TO MOVE HAS BEEN PRE-  
DICTABLE WITH EMPLOYERS SAYING THEY CANNOT AFFORD  
INCREASE AND LABOR MAINTAINING CHANGES DO NOT GO FAR  
ENOUGH. AS NOTED REF B, GOI COULD PROBABLY HAVE HELD  
ITS GROUND DESPITE LABOR DISCONTENT OVER FEBRUARY LAW,  
BUT INDEPENDENCE PARTY, LEADING MEMBER OF COALITION,  
APPARENTLY WANTED TO TAKE OUT SOME EXTRA INSURANCE  
BEFORE VOTERS WENT TO POLLS IN WHAT MAY BE CLOSE RACE  
IN REYKJAVIK MUNICIPALITY. END LIMITED OFFICIAL USE.  
CHRISTENSEN

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## Message Attributes

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**Channel Indicators:** n/a  
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